



Benefits from CAFTA-DR Virginia

U.S. DEPARTMENT OF COMMERCE
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Virginia's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled \$152 million in 2004, the 20th-largest total among the 50 states. Virginia's exports to the CAFTA-DR region accounted for 1.3 percent of the state's total world exports in 2004, the 17th-largest share among the states.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Virginia. In 2004, the Dominican Republic alone received merchandise exports from Virginia totaling \$54 million and was the state's 31st-largest market. Two other CAFTA-DR countries, Honduras and Guatemala, ranked among Virginia's top 50 export markets.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Virginia's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be

duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

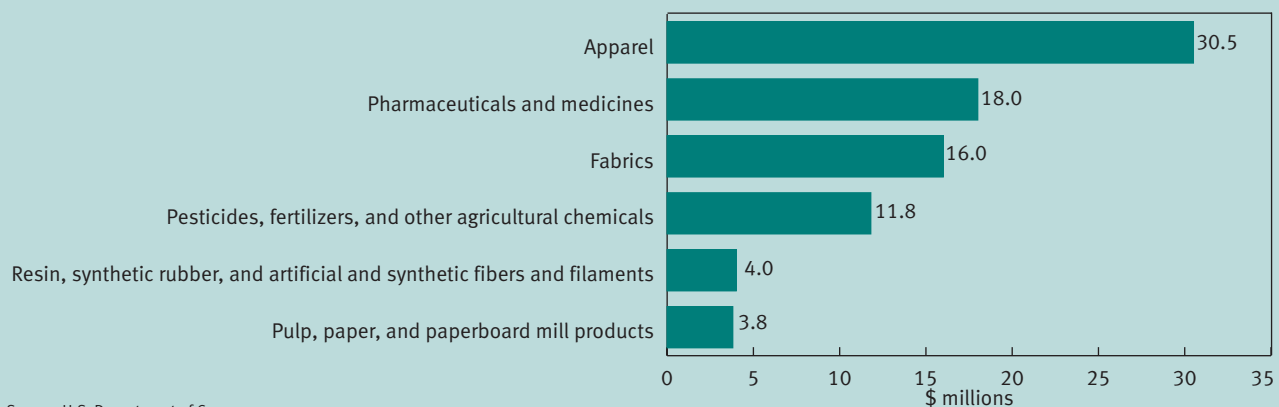
CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

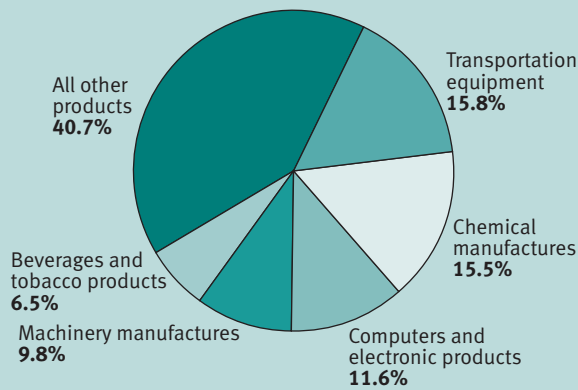
CAFTA-DR Opens Markets for Key Virginia Exports

Manufactures accounted for 81 percent of Virginia's total merchandise exports to the CAFTA-DR group in 2004.

Virginia Exported \$123.5 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004 *Apparel, Pharmaceuticals Lead*



Virginia Exports a Wide Range of Goods to the World: \$11.6 Billion in 2004



Source: U.S. Department of Commerce.

Textile Exports Are Important for Virginia

The state's largest manufactured export category was apparel. In 2004, Virginia exported apparel to the combined CAFTA-DR markets valued at \$31 million, approximately 20 percent of the state's total to the region (including non-manufactures).

Exports of fabric mill products to the CAFTA-DR region increased from \$9 million in 2000 to \$16 million in 2004. CAFTA-DR provides regional garment-makers—and their U.S. suppliers of fabric and yarn—a critical advantage in competing with Asia. Garments made in the region will be duty-free under the agreement if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. Textile and garment factories in Central America and the Dominican Republic purchase large amounts of fabric and yarn from the United States: the region is the second-largest world market for U.S. textile fabrics and yarns.

Pharmaceuticals and medicines. One of Virginia's top exports to the CAFTA-DR region is pharmaceuticals and medicines. Dollar gains in Virginia's manufactured exports to the CAFTA-DR group from 2000 to 2004 were partly due to pharmaceuticals and medicines (up \$15 million). Under CAFTA-DR, tariffs on high-value chemical products, such as residual pharmaceuticals and medicines, will, in most cases, be phased out immediately or in five years. In 2004, Virginia exported products from this category to the CAFTA-DR group valued at \$18 million.

Chemical manufactures. Virginia exported pesticides, fertilizers, and other agricultural chemicals valued at \$12 million to the CAFTA-DR region in 2004. Tariffs on these and other high-value chemical products such as insecticides/herbicides, will, in most cases, be phased out immediately or over five years.

CAFTA-DR Will Help Virginia's Manufactured Exports

Between 2000 and 2004, the biggest percentage increases in Virginia's manufactured exports occurred in the areas of motor vehicle bodies and trailers; bakery and tortilla products; veneer, plywood, and engineered wood products; and industrial machinery. CAFTA-DR should enhance opportunities for exports in these and other sectors. For instance, Virginia's exporters of lumber and wood products will benefit from CAFTA-DR provisions that will eliminate the average 10 percent tariff on wood products. CAFTA-DR will also eliminate the 11 percent average tariff that the Central American countries and Dominican Republic impose on autos and auto parts. Of particular note, CAFTA-DR will eliminate El Salvador's 30 percent auto tariff.

Virginia Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including those important to Virginia farmers, such as poultry, apples, dairy, and beef, U.S. exporters shipped over \$1.6 billion in U.S. farm products to the CAFTA-DR region in 2003. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR agreement, see the state fact sheets posted by the U.S. Department of Agriculture at www.fas.usda.gov/info/factsheets/CAFTA/state.html.

Virginia's Exports Were Spurred by Past Trade Agreements

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Virginia's combined exports to Canada and Mexico have increased by more than 139 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.